



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2023 Biennium

Bill #	SB0046	Title:	Increase MUS-RP supplemental contribution to TRS
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Primary Sponsor:	Lynch, Ryan	Status:	As Introduced
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Retirement Systems Affected:
 Teachers
 Public Employees
 Highway Patrol
 Police
 Sheriffs
 Firefighters
 Volunteer Firefighters
 Game Wardens
 Judges

Check the box if "Yes".

- Has this legislation been reviewed by the legislative interim committee?
- Has the cost of this legislation been calculated by the system's actuary?
- Does this legislation include full funding for any benefit revisions?

	July 1, 2020 Current System	July 1, 2020 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$6,310,005,000	\$6,310,005,000	\$0
Present Value of Actuarial Assets	\$4,344,045,000	\$4,344,045,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,965,960,000	\$1,965,960,000	\$0
Amortization Period (years) of UAAL	29.00	24.00	(5.00)
Change in normal costs	9.75%	9.75%	0.00%

	FY 2021 July 1, 2020	FY 2022 July 1, 2021	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	9.17%	9.27%	9.37%	9.47%	9.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	19.81%	19.91%	20.01%	20.11%	20.11%

FISCAL SUMMARY

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:				
General Fund	\$11,079,810	\$11,439,904	\$11,811,701	\$12,195,582
Other-MUS Tuition/Restricted	\$13,734,995	\$14,181,382	\$14,642,277	\$15,118,151
Other-TRS Pension Trust	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other-MUS Tuition/Restricted	\$0	\$0	\$0	\$0
Other-TRS Pension Trust	\$24,814,805	\$25,621,286	\$26,453,978	\$27,313,733
Net Impact-General Fund Balance:	(\$11,079,810)	(\$11,439,904)	(\$11,811,701)	(\$12,195,582)

Description of fiscal impact: Pursuant to §19-20-621, MCA, the supplemental employer contribution rate made by the Montana University System (MUS) employers must increase from 4.72% to 13.90% in order to amortize their share of TRS unfunded liabilities following legislation to close TRS to new entrants in the university system. By law, MUS’ obligation to TRS must be fully amortized by July 1, 2033. If SB 46 is passed and approved, the period to amortize the overall TRS unfunded liabilities will decrease from 29 to 24 years.

FISCAL ANALYSIS

Assumptions:

1. The university system supplemental contribution to TRS is based on the total compensations of employees participating in the Montana University System Retirement Program (MUS-RP).
2. Newly hired faculty and certain professional staff of the MUS must join the MUS-RP. When MUS staff members in TRS retire, they are replaced by staff that are required to enroll in the MUS-RP.
3. The MUS Current Unrestricted Fund (CUF) salary data is from the Montana Budgeting and Reporting System (IBARS). The balance of MUS salaries is paid from tuition and other sources.
4. Approximately 95% of MUS-RP academic salaries are funded by the CUF. The MUS CUF is funded at 47% state general fund with the remainder coming from tuition and other sources.

MUS Salary Data	2022	2023	2024	2025
CUF	\$256,798,092	\$265,144,030	\$273,761,211	\$282,658,451
Tuition and Other Sources	\$ 13,515,689	\$ 13,954,949	\$ 14,408,485	\$ 14,876,761
Total Salary Data	\$270,313,781	\$279,098,979	\$288,169,696	\$297,535,212

5. SB 46 increases the required university system supplemental employer contribution rate from 4.72% to 13.90% of salaries of all MUS employees participating in MUS-RP.
6. Salaries of MUS-RP members are assumed to increase by 3.25% per year.
7. The impact presented in the fiscal note assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.

8. All calculations are based on the July 1, 2020 actuarial valuation.
 9. The actuarial valuations and experience studies are available on the TRS website:
<https://trs.mt.gov/TrsInfo/NewsAnnualReports>

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits - MUS	\$24,814,805	\$25,621,286	\$26,453,978	\$27,313,733
TOTAL Expenditures	<u>\$24,814,805</u>	<u>\$25,621,286</u>	<u>\$26,453,978</u>	<u>\$27,313,733</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$11,079,810	\$11,439,904	\$11,811,701	\$12,195,582
Other-MUS Tuition/Restrictec	\$13,734,995	\$14,181,382	\$14,642,277	\$15,118,151
Other - TRS Pension Trust	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$24,814,805</u>	<u>\$25,621,286</u>	<u>\$26,453,978</u>	<u>\$27,313,733</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other-MUS Tuition/Restrictec	\$0	\$0	\$0	\$0
Other - TRS Pension Trust	\$24,814,805	\$25,621,286	\$26,453,978	\$27,313,733
TOTAL Revenues	<u>\$24,814,805</u>	<u>\$25,621,286</u>	<u>\$26,453,978</u>	<u>\$27,313,733</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(11,079,810)	(11,439,904)	(11,811,701)	(12,195,582)
Other-MUS Tuition/Restrictec	(13,734,995)	(14,181,382)	(14,642,277)	(15,118,151)
Other - TRS Pension Trust	\$24,814,805	\$25,621,286	\$26,453,978	\$27,313,733

Long-Term Impacts:

1. The MUS supplemental employer contribution rate increase will amortize the past service liabilities of the TRS University System members by July 1, 2033, as required by 19-20-621, MCA.

 _____ Sponsor's Initials	<u>1.5.21</u> _____ Date	 _____ Budget Director's Initials	<u>1/4/21</u> _____ Date
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